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HUD-YOUR COMMUNITY PARTNER

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HUD—Your Community Partner: 1997 Highlights

- **Community 2020 Series.** HUD launched the *Community 2020* seminar series to engage the best minds in framing the cutting-edge issues facing the Nation's communities and regions and providing ideas that will help the Nation tackle the challenges of the new century.
- **Center for Community and Interfaith Partnerships.** HUD created this center in 1997 to foster deeper partnerships with faith-based organizations, community organizing networks, community development corporations, and other nonprofits.
- **Community Development Block Grants.** HUD distributed \$4.3 billion to 975 large and medium-sized cities and, through the States, to more than 3,000 small communities to promote community development partnerships across the country. More than 10,000 nonprofit groups and other public and private organizations received grants indirectly from HUD through CDBG.
- **Section 108 Loan Guarantees.** HUD provided nearly \$278 million in loan guarantees to help finance economic development projects nationwide.
- **Empowerment Zones/Enterprise Communities (EZ/EC).** The EZ/EC initiative reached \$4 billion of new private investment attracted to distressed areas since the program began, creating 20,000 jobs and providing job training and education for 45,000 EZ/EC residents.
- **Brownfields Redevelopment.** A new Brownfields National Partnership brought together resources from HUD and 14 other Federal agencies to clean up and redevelop contaminated brownfields. The Partnership represents a \$300 million Federal investment over two years in mostly urban land and is expected to support up to 196,000 jobs.
- **Disaster Recovery.** President Clinton signed a new law creating HUD's Disaster Recovery Initiative, providing grants and other assistance to communities for recovery activities such as home and commercial rehabilitation, restoration of public facilities, homeownership assistance, and businesses redevelopment.
- **Colleges as Community Partners.** HUD awarded \$6.5 million in grants to Historically Black Colleges and Universities (HBCUs) and, through the Community Outreach Partnership Centers program, an additional \$7.3 million to 25 academic institutions nationwide to support the efforts of colleges and universities to help revitalize their communities.
- **Fighting Crime.** HUD awarded 532 Drug Elimination Grants, totaling more than \$205 million, to fight crime and drugs in public housing.
- **Healthier Communities.** The Clinton-Gore Administration also announced a \$50 million Campaign for a Lead-Safe America to clean up lead paint and reduce the potential dangers of this highly hazardous material, which most threatens infants and young children.

The second annual *State of the Cities* report confirms that urban America is rebounding but still faces critical challenges in creating jobs for low-skilled workers, improving schools, and increasing the supply of affordable housing.

Jobs are growing in cities, and many downtown areas are undergoing a renaissance as centers of tourism, sports, entertainment, and the arts. Unemployment in central cities fell to an average of 5.3 percent in March 1998, down from 8.2 percent five years earlier.

Poverty rates fell too, from 21.5 percent in 1993 to 19.6 percent in 1996. Violent crime dropped an estimated 19 percent in large cities between 1993 and 1997. Although there is more work to do to raise the homeownership rate, half of all central-city households owned homes in 1997, up by 1 million homeowners since 1994.

Despite recent gains, central cities' share of metropolitan populations continues to decline, and a greater number of residents who remain live in poverty. In fact, most large cities have fewer people today than two decades ago, translating into a shrinking municipal tax base: about 1 in 5 urban families lived in poverty in 1996, compared with fewer than 1 in 10 suburban households. In employment, there is a sizable mismatch between the number of low-skilled jobs available and the number of urban residents who need work, especially minority youth, whose unemployment rate is five times the national average. In education, 60 percent of the children in urban school districts in 1996 failed to achieve basic levels of competency in reading and math on the National Assessment of Educational Progress. In the 20 largest urban school districts, more than half of all students never graduate high school.

HUD is changing its role in communities to ensure that localities have the tools and resources they need to address these challenges—not with Federal mandates or a one-size-fits-all formula, but with action plans written by local officials and tailored to local conditions. In 1997, as part of the effort to provide the Nation's communities with tools, not mandates, HUD launched the Community 2020 seminar series chaired by Vice President Gore. The Nation's best urban minds—scholars, mayors, and business and community leaders—have discussed and helped frame the cutting-edge issues facing the Nation's communities, such as jobs, fair housing, community policing, education, diversity, and homelessness. These forums are providing ideas and practical initiatives that will aid communities in successfully facing the challenges of the 21st century.

Exhibit 2-1

HUD—Your Community Partner: Budget Summary of Selected Programs FY1996-99 (in millions of dollars)

Program	FY1996 (actual)	FY1997 (actual)	FY1998 (enacted)	FY1999 (enacted)
Community Development Block Grants	4,650	4,604	4,674	4,750
Section 108 Loan Guarantees	33	32	30	30
Economic Development Initiative	[50]	—	[138]	[225]
Empowerment Zones/Enterprise Communities	—	—	5	45
Brownfields Redevelopment	—	—	25	25
Disaster Recovery	50	250	380	250
Historically Black Colleges and Universities	6.5	6.5	6.5	10
Community Outreach Partnership Centers	[7.5]	[7.5]	[7.5]	[7.5]
Drug Elimination Grants	290	290	310	310
Lead Hazard Reduction	[65]	[60]	[60]	80

[] Set aside within funding.

* Mandatory funding.

DID YOU KNOW?

During 1997 and 1998, HUD hosted six Community 2020 seminars. Topics included: Jobs and Economic Prosperity; Access Opportunity, Mobility; Making Diversity Work in America's Cities; The Road Home: Meeting the Challenge of Homelessness; Thirty Years of Fair Housing; Many Neighborhoods, One America; Strengthening Communities, Increasing Public Safety; Old Values, New Strategies; and Schools and Communities in the 21st Century: Educating Urban America.

HUD Creates Center for Community and Interfaith Partnerships

The mission of the Center for Community and Interfaith Partnerships, created in 1997, is to focus, integrate, and intensify HUD's efforts with faith-based organizations, community organizing networks, community development corporations (CDCs), and other nonprofit groups. The Center, while not a new funding source, is working to strengthen HUD's link with groups by providing information and expertise on HUD programs, seeking input on policies and programs and ways to better assist communities, and forging new and deeper partnerships.

HUD collaborates with community and faith-based organizations to help empower individuals who are low-income, disadvantaged, and homeless. In fact, many of HUD's current programs grew out of the vision and activities of these community-based organizations. Secretary Cuomo is committed to intensifying the Department's efforts to revitalize distressed communities by collaborating more effectively with grassroots organizations on these common goals.

Among the key tools required to meet these challenges are strong community development partnerships with local governments, businesses, and nonprofit organizations. HUD's new approach places great emphasis on nurturing such partnerships, because sustainable community development alone cannot succeed as a Federally driven objective. Partnerships have become particularly important as the number of highly capable community-based nonprofits has soared. Many of these organizations receive financial and technical support from HUD through such programs as CDBG, HOME, and the National Community Development Initiative, which is funded by HUD as well as major private corporations and foundations (refer to Exhibit 2-2).

Exhibit 2-2

HUD Grant/Loan Programs That Help Communities Grow

Type of Applicant ¹	Available Programs
Governmental Organizations	
States	HOME Technical Assistance (TA) Supportive Housing Program TA (homelessness) Community Development Block Grants (CDBG) TA Community Development Work Study (CDWS) ² Fair Housing Initiatives Program (FHIP) • Education and Outreach Initiative (EOI) Lead-Based Paint Hazard Control Program Youthbuild Continuum of Care • Supportive Housing Program (SHP) • Shelter Plus Care (S+C) Housing Opportunities for Persons With AIDS (HOPWA)—Competitive

¹ Please refer to the "Eligible Applicants" section of the program description in the SuperNOFA for specific qualifications pertaining to who is eligible to apply.

² For Community Development Work Study, a State may apply on behalf of two or more colleges or universities located within the State. The schools must offer masters degree programs in eligible community building fields.



Units of General Local Government

HOME TA
 Supportive Housing Program TA (homelessness)
 CDBG TA
 Fair Housing Initiatives Program (FHIP)
 • Education and Outreach Initiative (EOI)
 Lead-Based Paint Hazard Control Program
 Economic Development Initiative (EDI)
 Brownfields Economic Development Initiative (BEDI)
 Youthbuild
 Continuum of Care
 • Supportive Housing Program (SHP)
 • Shelter Plus Care (S+C)
 Housing Opportunities for Persons With AIDS
 (HOPWA)—Competitive

Public Housing Agencies (PHAs)

Fair Housing Initiatives Program (FHIP)
 • Education and Outreach Initiative (EOI)
 Comprehensive Improvement Assistance Program (CIAP)
 (if PHA owns/operates less than 250 units)
 HOPE VI
 • Revitalization grants
 • Elderly Housing grants
 Public and Indian Housing Drug Elimination
 Program (PHDEP)
 • Grants
 • TA
 New Approaches Anti-Drug Program
 Youthbuild
 Economic Development and Supportive Services
 (ED/SS) Program
 Continuum of Care
 • Supportive Housing Program (SHP)
 • Section 8 Moderate Rehabilitation Single Room
 Occupancy (SRO) program for homeless individuals
 • Shelter Plus Care (S+C)
 Elderly/Disabled Service Coordinator Funds (EDSCF)
 Section 811 Supportive Housing for
 Persons with Disabilities³
 Section 8 Mainstream program
 Section 8 Designated Housing
 • Allocation plans
 • Specific projects
 Section 8 Family Unification program

Tribally Designated Housing Entities (TDHE) Program

Public and Indian Housing Drug Elimination (PHDEP)
 • Grants
 • TA
 New Approaches Anti-Drug Program
 Economic Development and Supportive Services
 (ED/SS) Program

Indian Tribes

Economic Development and Supportive Services
 (ED/SS) program

Nonprofits and Others

Nonprofits

HOME TA
 CHDO TA
 Supportive Housing Program TA (homelessness)
 CDBG TA
 Community Development Work Study (CDWS)⁴
 Fair Housing Initiatives Program (FHIP)⁵
 • Education and Outreach Initiative (EOI)
 • Private Enforcement Initiative (PEI)
 • Fair Housing Organizations Initiative (FHOI)

³ To qualify for Section 811 Supportive Housing the PHA must be 501(c)(3) tax-exempt.

⁴ For CDWS, the nonprofit must be an areawide planning organization. Areawide planning organizations may apply on behalf of only two or more colleges or universities offering masters degree programs in eligible community-building fields.

⁵ For FHIP-PEI the nonprofit must be a fair housing enforcement organization. For FHIP-FHOI the nonprofit must be a fair housing enforcement organization or a nonprofit organizing to build capacity to provide fair housing enforcement.



HUD Grant/Loan Programs That Help Communities Grow (continued)

Housing Counseling Program (HCP)⁶

- Local counseling agencies
- National, regional, multistate agencies
- State housing finance agencies

New Approaches Anti-Drug Program

Multifamily Housing Drug Elimination Program (MHDEP)⁷

Portfolio Reengineering Outreach and Training Program

Secondary Market Nonconforming Loans Demonstration⁸

Continuum of Care

- Supportive Housing Program (SHP)
- Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) program for homeless individuals (private, nonprofits)

Section 202 Supportive Housing for the Elderly

Elderly/Disabled Service Coordinator Funds (EDSCF)

Section 811 Supportive Housing for

Persons with Disabilities

Housing Opportunities for Persons With AIDS

(HOPWA)—Competitive

Colleges and Universities

CDBG TA

Supportive Housing Program TA (homelessness)

Community Outreach Partnership Centers (COPC)

Historically Black Colleges and Universities (HBCUs)⁹

Community Development Work Study (CDWS)¹⁰

Hispanic Serving Institutions Work Study Program (HSI—WSP)¹¹

Fair Housing Initiatives Program (FHIP)

- Education and Outreach Initiative (EOI)
- Private Enforcement Initiative (PEI)
- Fair Housing Organizations Initiative (FHOI)

Resident Organizations From Federally Assisted Housing Projects

Fair Housing Initiatives Program (FHIP)

- Education and Outreach Initiative (EOI)

Public and Indian Housing Drug Elimination

- TA

Tenant Opportunities Program (TOP)

Portfolio Reengineering Outreach and Training

Owners of Assisted Low-Income Housing

New Approaches Anti-Drug Program

Multifamily Housing Drug Elimination Program (MHDEP)¹²

Federally Approved Education and Employment Training Organization

Youthbuild

For-Profit Professional and Technical Services Company

HOME TA

CDBG TA

Supportive Housing Program TA (homelessness)

Fair Housing Initiatives Program (FHIP)

- Education and Outreach Initiative (EOI)

⁶ For HCP the nonprofit must be a HUD-approved housing counseling agency.

⁷ Only nonprofits that own Federally assisted low-income housing may apply.

⁸ For the Secondary Market Demonstration, the nonprofit must be a community development financial institution.

⁹ To qualify for HBCUs the college or university must be designated as an HBCU by the U.S. Department of Education.

¹⁰ To qualify for CDWS the college or university must offer a masters degree program in a community-building field.

¹¹ To qualify for HSI—WSP the college must be a community college and meet the U.S. Department of Education's definition of an Hispanic-Serving Institution and offer an associate degree in an eligible community-building field.

¹² For MHDEP the housing assistance must be Federal housing assistance.

LOOKING AHEAD:

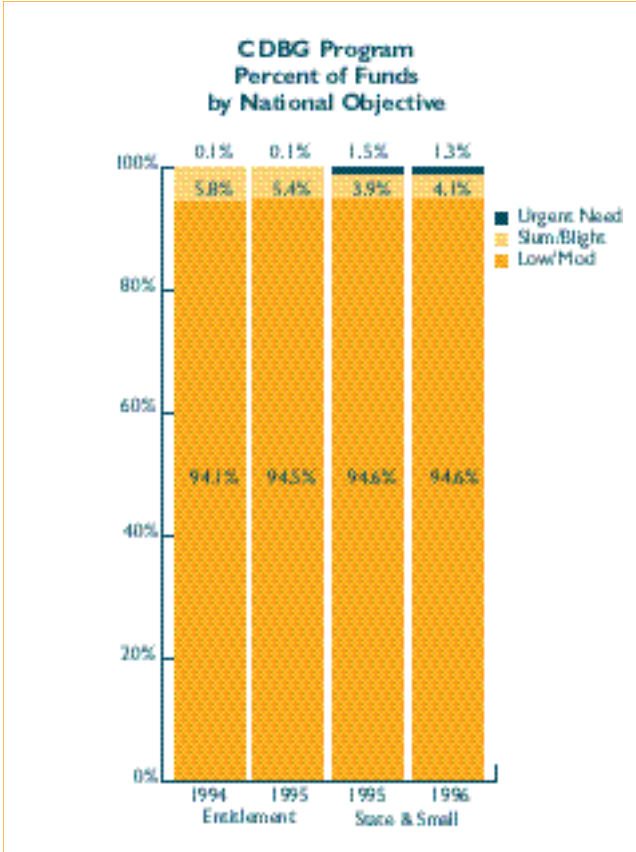
The FY 1999 Budget increases funding for Community Development Block Grants from \$4.675 billion last year to \$4.75 billion this year—a \$75 million expansion of the program, which provides flexible federal assistance to help local governments to carry out a wide range of community and economic development activities.

In 1997, HUD's Consolidated Plan was acknowledged as the primary tool for empowering communities to meet their local needs. This new planning mechanism seeks to alter the relationship between HUD, State and local governments, and citizens. Previously, HUD mandated that communities submit 12 separate planning, application, and reporting documents each year—often more than 1,000 pages of bureaucratic overkill. This requirement made comprehensive community planning more difficult, and narrow regulations hampered even more localities' ability to link their housing and community development activities. Through HUD's consolidated planning process, local agencies, nonprofit organizations, and citizens come together to identify such needs as housing, public infrastructure, economic development, and crime. Using *Community 2020's* consolidated planning mapping software, community partners can now identify where resources are most needed, helping to reduce the isolation of low-income groups within the community. For example, once the community partners create the blueprint of action, they can work with the full array of community development and housing programs—more than \$7 billion in Federal funds available for local use—to develop a full continuum of housing and services.

Through core programs such as CDBG, HOME, and Section 108 Loan Guarantees, localities can create jobs and support businesses, improve streets and other infrastructure for urban revitalization, and generate affordable housing. During 1997, the CDBG program surpassed the \$66 billion mark in total funds distributed to cities and States since the program began, providing localities with flexible community development funds to use as they see fit. During 1997, HUD stepped up its efforts to help communities fight crime—a critical barrier to long-term economic development—by adopting a zero-tolerance policy toward drug dealers and criminals in public housing, engaging residents in crime prevention, and working closely with local law enforcement officials and civic leaders. HUD awarded hundreds of millions of dollars to localities to help promote sustainable and healthy development by cleaning up areas with lead hazards, redeveloping urban areas polluted by brownfields, and helping communities recover from natural disasters. Other specially targeted programs, including EZ/EC, continued to target job creation and large-scale community development assistance to neighborhoods that needed it most.

Community Development Block Grants

At the core of HUD's community development activity is the \$4.6 billion a year CDBG program, an essential ingredient in community development partnerships throughout the United States. In 1997 HUD distributed CDBG funds directly to 975 entitlement communities—large and medium-sized cities and counties that received their grants by formula—and, through the States, to more than 3,000 small communities. Localities have a great deal of discretion in the use of CDBG funds. HUD requires that 70 percent of CDBG funds be used for activities that principally benefit low- and moderate-income people—a target that most communities substantially exceed. More than 10,000 nonprofit groups and other public and private organizations receive grants indirectly from HUD each year through the program, which has operated for almost 25 years.



New Mexico Helps Train for the High-Tech Economy

In 1997, an innovative New Mexico collaborative developed a state-of-the-art facility to train residents in high-technology occupations. The New Mexico Northern Community College High Technology Manufacturing Training Center includes a Class 100 clean room, robotics laboratory, semiconductor manufacturing facility, and a telecommunications classroom.

Northern Community College serves a primarily rural area, with a high proportion of minority and economically disadvantaged students of whom many are first-generation college students. Without high-tech training, most of these students would work in blue-collar service, teaching, or social services.

The State of New Mexico, HUD and the Energy and Commerce Departments are partners in the 4,000-square-foot facility, with HUD providing \$600,000 in CDBG funding. Eighty-five students are currently enrolled, and the first 20 graduates have already landed jobs at Intel Corp. and Los Alamos National Laboratory. Sixty-five students are expected to be placed annually, with a base entry-level salary of \$30,000.

Exhibit 2-4

**CDBG: Housing Units Developed and Rehabilitated
by Primary Housing Activities, FY 1994-96**

Activity	1994		1995		1996	
	Entitlement**	State***	Entitlement*	State***	Entitlement*	State***
Housing Rehabilitation	168,914	20,487	163,922	24,130	159,719	28,568
Housing New Construction	13,662	401	13,187	603	12,848	153
Homebuyer Assistance	11,226	335	11,522	295	11,227	57
Total	193,802	21,223	188,631	25,028	183,794	28,778

*Based on dollars allocated.
**Based on 1994 Government Performance Review expenditures.
***Proposed.

Hawaii Program Targets Business Development

Honolulu, Hawaii's City and County of Economic Opportunity Program is an innovative program that takes into account the full spectrum of economic opportunities for its low and moderate-income persons. The program provides job training, microenterprise development initiatives, small business incubation, and economic development loan programs. It has resulted in 110 businesses being served, 193 persons receiving microenterprise training, and 71 business loans ranging from \$500 to \$15,000. The program is available island-wide and has increased public awareness of economic opportunities in the City and County of Honolulu.

Assisting Microenterprises

In 1992, Congress began to require that HUD assess the effectiveness of CDBG in promoting microenterprise development. The lawmakers added a separate eligibility category to the CDBG program authorizing financial assistance for the establishment, stabilization, and expansion of microenterprises and a way to provide technical



Exhibit 2-5

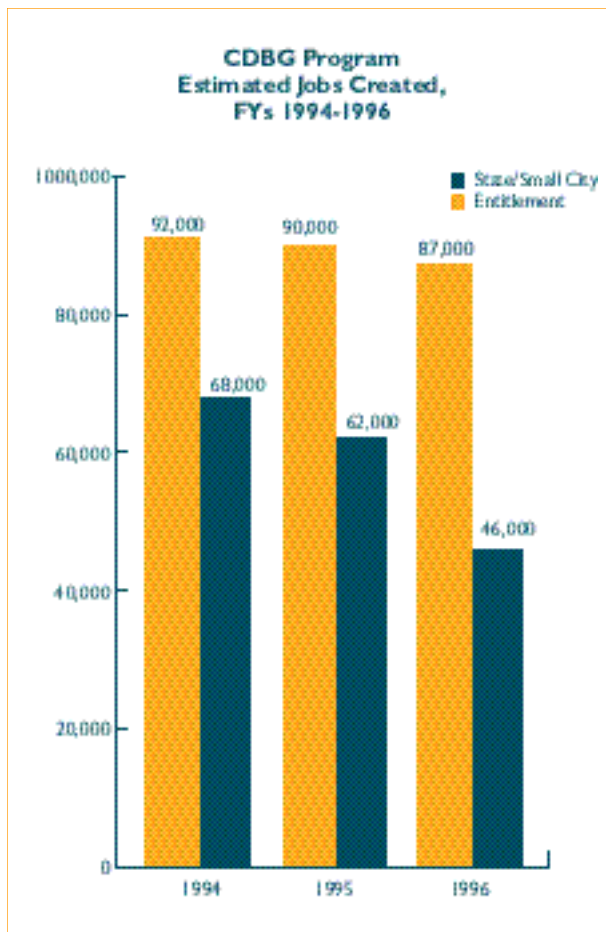
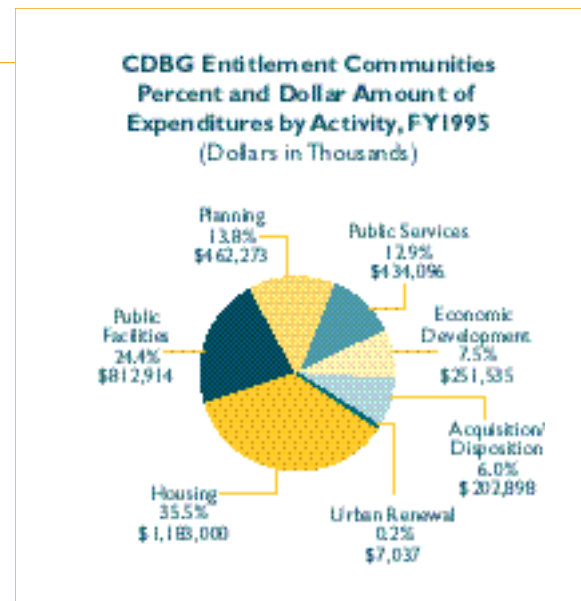


Exhibit 2-6



assistance and business support services. Because compliance with CDBG program requirements has historically been difficult for microenterprise owners, in 1995 HUD made the use of CDBG funds to microenterprises more logical, less

administratively burdensome, and more flexible. HUD's changes in CDBG eligibility and regulations have been well received by microenterprise assistance providers. In 1996, 67 grantees funded 98 projects with approximately \$2.5 million from CDBG funds. To date those grantees have used about \$1.5 million of that amount for microenterprise purposes.

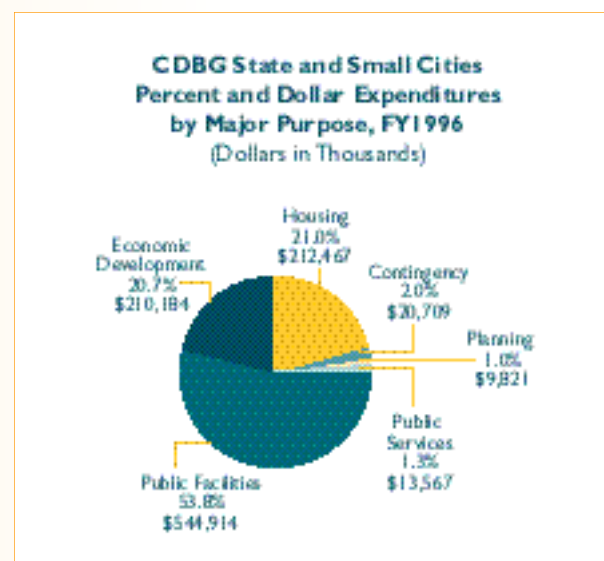
South Carolina Uses CDBG for Rural Jobs

Although CDBG funds in large and medium-sized communities go toward housing more than toward any other single purpose, funds in small cities and rural areas are used primarily for public facilities, but also for economic development and housing.

South Carolina directs its State and small communities CDBG funds to promote development in rural areas. In 1996 the State invested CDBG funds in 27 local economic development projects. One project enabled Disney Distribution to construct a 525,000-square-foot center for its catalog merchandise in Union County, one of South Carolina's least-developed areas. The center initially will create 200 permanent jobs, with up to 100 additional seasonal employees. To make the transaction feasible, the Disney site needed water, sewer, and road improvements. The State allocated \$828,990 in CDBG funds for the initiative.

The initiative, funded with Federal, State, and local dollars, targets 22 timber-dependent counties. Five projects have already been funded, ranging from replacing failing

Exhibit 2-7



DID YOU KNOW?

An estimated 286,000 jobs were projected to be created by projects assisted with HUD Section 108 Loan Guarantees over a 3-year period: 38,175 jobs from 1994, 201,100 jobs from 1995, and 46,400 from 1996.

sewer systems to addressing downtown revitalization, for a total of \$3.6 million. These funds have attracted about \$7 million in funds from other sources. In addition, the State provides technical assistance to eligible communities to ensure that they have undertaken a thorough process of evaluating needs and developing comprehensive strategies for improvement.

Delaware Uses CDBG for Homeownership

New Castle County's Down Payment/Settlement Program enabled this Delaware locality to creatively leverage its limited CDBG funds in 1997 to expand homeownership opportunities for low- and moderate-income people. A second mortgage provided under the program to cover downpayment or settlement charges enables qualified families to purchase homes. Up to \$4,000 is available to each borrower upon successful completion of a prepurchase counseling program.

Section 108 Loan Guarantee Program

This loan guarantee provision of the CDBG program enables local governments to leverage their CDBG funds to finance economic development and other eligible activities. Under the program, entitlement communities may borrow up to five times their most recent CDBG allocation and pledge current and future CDBG funds as partial security for the loan guarantee. Nonentitlement communities may also participate, consistent with their State CDBG guidelines. Since the Section 108 program began, HUD has approved 1,048 commitments, valued at more than \$4.7 billion.

Under the Section 108 program, HUD arranges for local governments to borrow from private investors and provides a full faith and credit guarantee of payment. This arrangement enables Section 108 borrowers to secure long-term financing at highly favorable rates. The maximum term of a Section 108 loan is 20 years, and each loan must be secured by collateral other than the local government's pledge of CDBG funds.

Exhibit 2-8

Section 108 Loan Grantees: Number and Amount of Loan Commitment FY1978-97

Fiscal Year	Number of Commitments	Dollars (in thousands)
1978	1	\$ 476
1979	9	30,810
1980	23	156,933
1981	48	156,487
1982	52	179,377
1983	22	60,627
1984	29	86,952
1985	63	133,475
1986	25	113,290
1987	13	30,007
1988	43	143,578
1989	48	143,578
1990	44	119,260
1991	26	84,466
1992	46	163,780
1994	88	350,520
1995	218	1,847,005
1996	89	433,775
1997	118	277,683

LOOKING AHEAD:

In 1999, a demonstration program will be established, called the Community Empowerment Trust Fund, to enhance and expand the Section 108 Loan Fund and Economic Development Initiative (EDI) grant program. HUD estimates that this will enable communities to leverage private investment for business startup or expansion loans and may be used for virtually every business purpose from acquisition of real estate or equipment to export transaction financing.

In addition, by pooling economic development loans and standardizing the way they are underwritten, the CEF Trust will enable a secondary market for such loans to emerge for the first time ever. HUD's 1999 demo will show CEF to be a powerful new tool for channeling private capital into business worthy investments in distressed areas.

Economic Development Initiative

Enacted in 1994, EDI grants support and enhance the economic viability of projects assisted with Section 108 Loan Guarantees. In FY1995, the availability of \$350 million in EDI grants made the Section 108 program extremely attractive to localities, and commitments rose to an unprecedented level of \$1.85 billion. EDI grants have helped finance an array of projects and activities, including shopping centers, entertainment complexes, industrial facilities, and housing developments. The most common uses for EDI funds include interest-rate subsidies, loan-loss reserves, debt-service reserves, overcollateralization of Section 108 loans, and the purchase of credit enhancements.

Exhibit 2-9

Economic Development Initiative: Number and Amount of Grants FY1994-97

Year	Number of Grantees	EDI Awards (in millions of dollars)
1994	45	19
1995	78	350
1996	17	50
1997	—	No appropriations
Total	140	419

Empowerment Zones (EZs) and Enterprise Communities (ECs)

The EZ/EC Initiative offers distressed communities new opportunities for economic growth and revitalization. A 10-year program that began in 1994, this initiative has designated 105 EZs and ECs, including 72 in urban areas. The goal is to create self-sustaining revitalization by mobilizing community partnerships that involve multiple stakeholders in the revitalization of distressed areas.

Each EZ/EC adopts a strategic vision for what the community will become in the future. Economic opportunities include creating jobs for zone residents and linking residents to jobs throughout the region. Strategies include a range of activities, from major economic development projects to providing entrepreneurs with technical assistance and capital to welfare-to-work initiatives. The EZ/EC initiative emphasizes local decisionmaking and encourages communities to use public resources to leverage private investment in the community. The strategic plan that each community develops serve as its roadmap for revitalization.

Job Creation in Michigan EZ Helps Turnaround of Motor City

Job creation in Detroit, Michigan's EZ is contributing to an economic turnaround in the Motor City. To finance development projects, eight Detroit banks formed the Empowerment Zone Financial Institutions Consortium, which pledged to invest \$1.1 billion in Detroit's future over the next 10 years. By 1997 the consortium had invested \$956 million, including loans to minority-owned suppliers to the big three auto manufacturers. EZ-related investments will ultimately create thousands of jobs and advanced manufacturing capacity in the city.

Detroit's unemployment rate fell from 14.2 percent in March 1993 to 7.2 percent in March 1998, partially as a result of this initiative.





By 1997 the EZ/EC initiative had attracted more than \$4 billion of new private investment to areas where there previously had been little. The initiative uses tax incentives and Social Services Block Grant flexible seed money to provide designees with financial assistance for revitalization efforts. EZ/ECs have created nearly 20,000 jobs and provided job training and education opportunities for nearly 45,000 EZ/EC residents. More than 52,000 children, youth, and adults have received services to enhance their potential, and more than 12,000 affordable housing units are being constructed or rehabilitated.

Live From New York—It's New Jobs in Harlem

Kyschia Frederick was out of work for 6 months before she completed STRIVE training. She now duplicates videotapes and operates video equipment at Broadway Video. "I'm doing things I never thought I would be doing, and what I like most about it here is that there is potential to move up," says Frederick. Broadway Video is just one part of the Harlem revitalization. Harlem USA, a \$56-million retail and entertainment complex, is scheduled to open in 1998, bringing 500 jobs. The complex will house a Disney Store, ice rink, jazz club, sports facility, 12-screen movie theater, and a children's recreation center.

The Broadway Video production facility is located in New York City's Upper Manhattan Empowerment Zone (EZ). Citibank and the EZ provided resources to buy equipment and renovate an old auto factory. The new facility provides video duplication, storage, and transmission of tapes by satellite. Broadway Video's 10 employees, all residents of the EZ, are graduates of the STRIVE jobs program, which provided the technical training.

Incentives available in all EZ/ECs include a welfare-to-work tax credit for businesses that hire welfare recipients, an environmental cleanup cost deduction to promote brown-fields redevelopment, a work-opportunity tax credit for businesses that hire 18–24-year-old EZ/EC residents and other hard-to-employ residents, and qualified zone academy bonds, enabling State and local governments to issue bonds that permit public schools to raise funds for curriculum development or physical improvements.

In 1997, Congress authorized the designation of 15 new urban EZs and 5 new rural EZs. Each will be eligible for new Federal tax incentives to stimulate job creation and economic development, including tax-exempt bond financing and immediate tax deductibility of the costs of new machinery and equipment.

Oregon EC Receives Largest Ever Housing Grant

Now under construction, the Alberta Simmons Plaza is a 74 unit 202 Elderly Project located in Portland Oregon's Enterprise Community at Portland Blvd. and Martin Luther King Boulevard. This is the largest grant ever made in the City of Portland, by any federal, state, or local agency.

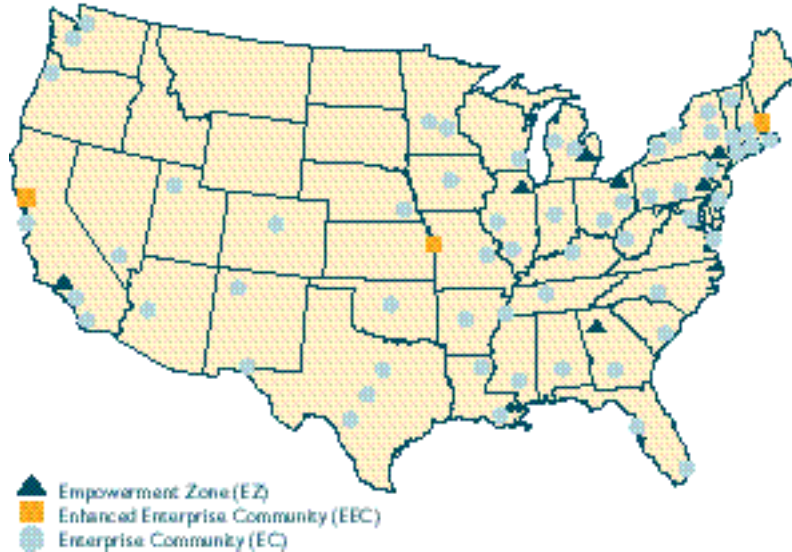
Cosponsors of the project are Housing Our Families, an African American women focused non profit neighborhood group, and Union Labor Retirement Association, an experienced Section 202 developer. The total HUD funding for this project is \$7.2 million. HUD awarded \$5.9 million in grant funding to build the project, and \$1.3 million for seven years of operating subsidy.

LOOKING AHEAD:

HUD's \$24.5 billion budget for FY 1999 includes \$45 million in first-year funding to establish 15 new urban Empowerment Zones to be selected by HUD. The Department of Agriculture will administer \$10 million to set up five new rural EZs and another \$5 million to establish 20 new rural Enterprise Communities.

Exhibit 2-10

Empowerment Zones Are Stimulating Redevelopment in Cities Throughout America



Brownfields Redevelopment

There are an estimated 450,000 brownfields—polluted and abandoned industrial sites—across the Nation's landscape. Cleaning up these sites not only improves a community's health but also creates jobs and can be a focal point for revitalizing surrounding areas. Where the Environmental Protection Agency (EPA) partners to clean up these sites, HUD has been instrumental in raising awareness of the importance of brownfields redevelopment and in providing EDI grants, CDBG funds, and Section 108 Loan Guarantees to help return these areas to productive use.

Indiana Cleans Up Brownfields

With an aggressive effort in 1997 and \$260,000 in grants from HUD and EPA and \$103,000 in city funds, Indianapolis, Indiana is returning a polluted 7-acre brownfield to productive use. The site once housed a concrete block factory that went bankrupt in the early 1980s. The city took title to the property in 1996 and immediately began looking for ways to encourage redevelopment. City officials sought guidance from neighborhood representatives, who favored a light industrial site.

The city secured funds to clear debris from the site, conduct environmental sampling, remove two underground storage tanks and contaminated soil, get rid of asbestos, and demolish and clear the structures. With the property restored, the city attracted two business owners who are developing the site into a facility for self-storage units and 20,000 square feet of office and light industrial space. The redevelopment is projected to create 40 to 60 new jobs and is attracting \$2.3 million in private investment.

The Brownfields National Partnership, announced by Vice President Gore in 1997, brings together the resources of 15 Federal agencies to clean up and redevelop contaminated brownfields. The Partnership represents a \$300 million Federal investment over two years in mostly urban land. It is expected to leverage between \$5 billion and \$28

LOOKING AHEAD:

The FY1999 budget provides the funding for brownfields redevelopment to \$25 million, leveraging \$100 million in loans and loan guarantees and helping to generate 280,000 jobs where employment opportunities are most needed.

billion in private investment, support up to 196,000 jobs, and protect up to 34,000 acres of undeveloped greenfield areas outside of cities.

The U.S. Department of Transportation has instituted a new policy that gives States, localities, and transit agencies the flexibility to participate in transportation projects that include the reuse of brownfield sites. This action represents a major shift in previous policies, which called for avoiding contaminated sites whenever possible. The Clinton-Gore Administration's proposal for a brownfields tax incentive was signed into law by President Clinton in 1997. It allows cleanup costs to be expensed in the years the costs are incurred, rather than capitalized into the cost of the property. This \$1.6 billion incentive is expected to leverage \$1.6 billion in private sector cleanup of 11,000 brownfield sites over the next 3 years.

DISASTER RECOVERY

Plant closings and job loss can impact a community, but without warning, floods, fires, hurricanes, tornadoes, and other natural disasters can devastate communities. Disaster recovery is a key component of community development efforts. Launched in 1997, HUD's Disaster Recovery Initiative supports State and local disaster recovery efforts through grants and other assistance to help rehabilitate residential and commercial buildings, restore public facilities, provide homeownership assistance and replacement housing, and help aid local businesses through economic development activities. HUD's Disaster Recovery Initiative gives communities great flexibility in meeting local needs quickly. HUD's Office of Special Actions takes the lead in coordinating the Department's disaster response, which is carried out in partnership with the Federal Emergency Management Agency, Small Business Administration, and other Federal agencies.

HUD Helps North Dakota Recover From Floods

In April 1997, the upper Midwest was devastated by record floods. Staff at North Dakota's Grand Forks Housing Authority was in high gear at the city's emergency disaster center helping evacuate residents and trying to limit damage from rising flood waters. As the water rose unrelentingly in one section of the city after another, Housing Director Joel Manske got reports that the flood was swamping the buildings his housing authority had worked so hard to rehabilitate over the past 4 years. "The flood meant we had to rehabilitate that housing not once, but twice," he says.

Seven days after the flooding—and a major fire that destroyed much of the downtown—HUD flew in 13 staff members who were later joined by others. "They set up a local branch of the Secretary's office in our building," reports Manske. "It was an unprecedented level of help that proved to be a hugely effective way to help us manage our recovery."

HUD made sure that more than \$1 million in Emergency Flexible Subsidy Funding started flowing immediately to the Grand Forks Housing Authority, slicing through red tape when necessary. Within 90 days, all HUD-assisted properties were completely restored and fully operational. HUD also helped Grand Forks deal with the loss of more than 1,000 single-family homes due to the flood. Together, the housing authority, HUD and the city council developed a plan to use HUD's CDBG funds to cover the costs of financing the bonds needed to build 200 new homes. "Without HUD's help, there was no way we would have had the capacity on our own to put this all together so quickly," says Manske.

Examples of 1997 Grants From HUD's Disaster Recovery Program:

\$11.6 million to communities in California to recover from severe rainstorms and flooding.
\$2.8 million to communities in Idaho to repair public facilities damaged by landslides.
\$92 million to communities in Minnesota to recover from severe winter storms.
\$35.7 million to communities in North Carolina to recover from Hurricane Fran.
\$201.3 million to communities in North Dakota to recover from massive flooding.
\$2.8 million to communities in Ohio to recover from heavy storms and severe flooding.
\$4.3 million to communities in Oregon to recover from damage caused by sinkholes.
\$29.3 million to communities in Puerto Rico to recover from Hurricane Hortense.
\$4.8 million to communities in Washington to recover from landslides and flooding.



ENLISTING COLLEGES AS COMMUNITY-BUILDING PARTNERS

Academic institutions are among a community's greatest assets, yet often they are isolated from the mainstream of community problem-solving. Many colleges and universities are anxious to break down the traditional barriers and take a more active role in their community's well-being. To encourage such efforts, HUD sponsors programs to catalyze community development partnerships between cities and the academic institutions within their borders.

Historically Black Colleges and Universities (HBCUs)

HCBUs have been important housing and community development partners with HUD since 1980, when President Carter signed the first Executive Order for the HCBU program. Although education remains their primary mission, HBCUs play other important roles, including serving as economic anchors to the communities that surround them. HUD provides grants, awarded on a competitive basis from CDBG's special purpose grants, to help HBCUs undertake a range of community development activities, from rehabilitating homes to starting community development corporations. Since 1992, HUD has awarded more than \$43 million under this initiative.

West Virginia: HUD Helps Reopen Closed Glass Plant

When the Owens-Illinois Glass Plant in Huntington, West Virginia, closed its doors in 1993, the community felt the impact. The plant had manufactured glass bottles there for 80 years, and in its heyday had employed more than 2,000 people. When the plant closed, more than 630 employees lost their jobs.

Community leaders quickly took action. They held a series of town meetings and decided to apply to HUD for Enterprise Community designation, which was granted. The city secured more than \$5.5 million in grants and loans to buy and renovate the plant, renaming the site the Huntington Industrial Center. HUD provided grants through the Community Development Block Grant (CDBG) program and loan guarantees through the Section 108 program. The State of West Virginia and the U.S. Economic Development Administration also provided financial support.

The city's efforts paid off in May 1997, when SNE Enterprises, a Wisconsin-based vinyl windows manufacturer, announced plans to open a facility at the Huntington Industrial Center. "It's a success story," says Charlie Betts, who worked at the Owens-Illinois plant for 37 years and currently serves as plant engineer at the new industrial center. "Several people who worked at the old plant now work at the industrial center, and many of their children work at the industrial center, too. I think the community is more than happy about what is happening here."

Exhibit 2-11

Historically Black Colleges and Universities: Grantees and Grant Amounts, FY1997

Historically Black College/University Grantees	Dollar Amounts (in thousands)
Oakbrook College (Huntsville, AL)	\$ 380,000
Stillman College (Tuscaloosa, AL)	400,000
Arkansas Baptist College (Little Rock, AR)	400,000
Howard University (Washington, DC)	370,000
Florida A&M University (Tallahassee, FL)	350,000
Morris Brown College (Atlanta, GA)	400,000
Kentucky State University (Frankfort, KY)	400,000
Southern University (Baton Rouge, LA)	330,000
Jackson State University (Jackson, MS)	400,000
Tougaloo College (Tougaloo, MS)	400,000
Saint Augustine's College (Raleigh, NC)	400,000
Bennett College (Greensboro, NC)	300,000
Elizabeth City State University (Elizabeth City, NC)	393,000
Fayetteville State University (Fayetteville, NC)	400,000
Winston Salem State University (Winston Salem, NC)	377,000
Voorhees College (Denmark, SC)	400,000
Wiley College (Marshall, TX)	400,000
Total	\$6,500,000

Source: HUD Press Release, September 27, 1997

HUD's Office of University Partnerships

Recognizing the crucial role that the Nation's academic institutions play in rebuilding communities, HUD established the Office of University Partnerships in 1994 to encourage and expand the efforts of colleges and universities and help them make a difference in their communities. The office awards grants on a competitive basis to promote community economic development through four programs: Community Outreach Partnership Centers (COPC), Community Development Workstudy, Hispanic-Serving Institution Workstudy, and the Doctoral Dissertation program.

Community Outreach Partnership Centers

The COPC program aims to help 2- and 4-year colleges and universities take the next step in developing and sustaining effective partnerships with local governments, nonprofit organizations, and others working on community revitalization. COPC grants are available to colleges and universities nationwide. Launched as a 5-year demonstration in 1994 and funded with approximately \$7.5 million annually, COPC provides multi-year grants of up to \$400,000 to the schools, which use them to undertake special research on community problems or work directly on neighborhood projects. Some schools have used their grants to support job-training programs, expand affordable housing, and create resident-backed strategies to reduce crime or combat housing discrimination and homelessness. Other programs include mentoring for neighborhood youth and financial and technical assistance for new businesses, health access and information, and K-12 school partnerships. Since 1994 COPC has awarded 59 grants to colleges, universities, and consortia. In 1997, HUD distributed \$7.3 million to 25 colleges and universities in 17 States.



Exhibit 2-12

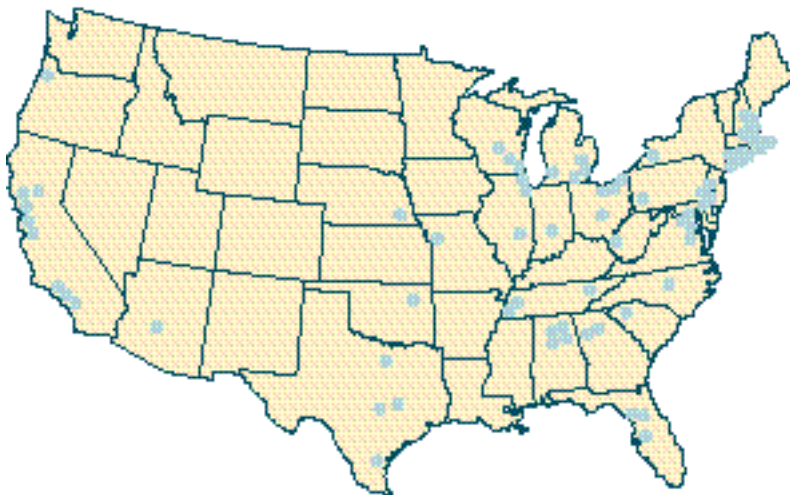
**1997 Grantees:Community Outreach Partnership Center Program:
Grantees and Grant Amounts,1997**

State	School	Dollar Amounts (in thousands)
Alabama	University of Alabama–Birmingham	\$ 99,998
California	Rancho Santiago College	400,000
	San Jose State University	399,979
	University of California–San Diego	400,000
Georgia	Georgia State University	100,000
Illinois	Indiana University–Purdue University	395,080
	University of Illinois	99,990
	DePaul University	100,000
Massachusetts	Fitchburg State College	399,684
Missouri	University of Missouri–Kansas City	399,195
Nebraska	University of Nebraska at Omaha	400,000
New Hampshire	New Hampshire College	399,278
New York	Buffalo State College	391,596
	Brooklyn College	399,979
North Carolina	University of North Carolina	399,985
Rhode Island	University of Rhode Island	391,918
South Carolina	Clemson University	399,685
Tennessee	University of Memphis	99,959
	University of Tennessee	100,000
Texas	University of North Texas	399,692
	University of Texas at Austin	99,999
Virginia	Virginia Commonwealth University	399,358
	George Mason University	99,979
West Virginia	Marshall University	99,958
Wisconsin	University of Wisconsin–Parkside	399,966
Total		\$7.3 million



Exhibit 2-13

COPC Grantees 1994–1997



MAKING COMMUNITIES SAFER

Safety is fundamental to community building. Where safety is missing, citizens and businesses flee the neighborhood, residents are afraid in their own homes, and collective community action is difficult to catalyze. HUD sponsors a range of activities and programs to help communities fight crime as a prerequisite for promoting economic development and healthy interaction. Some programs are freestanding initiatives, while others are part of larger programs such as CDBG and public housing.

Fighting Crime Is a SNAP in Colorado

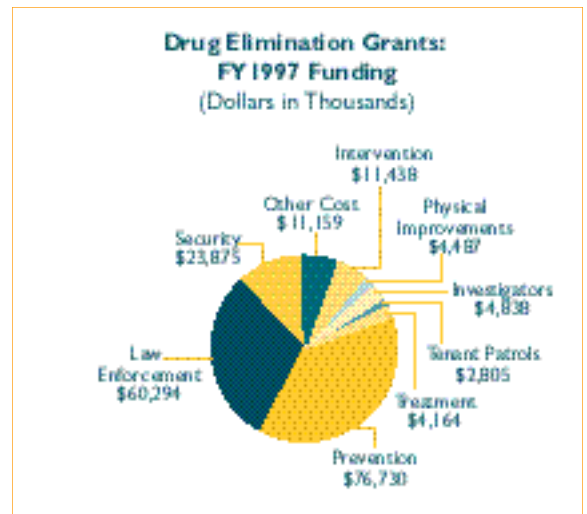
In 1994, after an unprecedented increase in youth violence, Denver, Colorado city officials joined with HUD to create a Safe Neighborhood Action Plan (SNAP) at HUD-insured and assisted apartments in their community. The SNAP coalition encourages cooperation among residents, property owners, government officials, and law enforcement agencies to fight crime. By 1997 four Denver-area housing developments had been designated as SNAP properties. Each property receives special HUD grants. Property owners and managers participate in Social Weapons and Tactics training to learn how to recognize criminal activity on their properties and work effectively with law enforcement. Members of HUD-funded Volunteers in Service to America go door to door to organize residents and establish resident councils.

Volunteers at Denver's East Village Apartments formed a youth baseball league in partnership with the Police Athletic League. Team sponsors say the young participants especially enjoy wearing their uniforms and are proud to be on their teams. That pride has made a difference, too. East Village managers report an immediate and dramatic reduction in vandalism as a result of the new baseball teams.

Drug Elimination Grants

Drug elimination grants are available to public housing authorities to fund drug- and crime-prevention activities. In FY1997, HUD awarded 532 grants, totaling more than \$205 million. Since 1989, HUD has awarded more than \$1.4 billion in drug elimination grants. Grantees can use funds for a variety of activities, from reimbursing law enforcement agencies to organizing tenant patrols. Housing authorities can also use the grants for job training or to hire residents as security guards and drug counselors. Some groups have used drug elimination grants for special youth activities, including sports, gang prevention, Boys & Girls Clubs, and Boy Scouts and Girl Scouts. HUD also provides funds to boost security and investigate and prosecute criminals for low-income housing developments that are not public housing.

Exhibit 2-14



K Innovative Kansas Partnership Slashes Neighborhood Crime

Kansas City's Paseo Corridor—site of five public housing and seven assisted housing developments—underwent a transformation in 1997. Cleanup of litter and the addition of flowers altered the corridor's outward appearance. The most dramatic change, however, has been the observable change in attitudes of Paseo residents, brought about by a novel community partnership involving HUD and 60 other organizations. A special unit within the Jackson County prosecutor's office—Community Backed Anti-Drug Tax (COMBAT)—identified problems facing Paseo Corridor and turned to the local HUD Field Office for help. HUD staff organized community residents into special committees and identified invisible barriers that were isolating the housing complexes from one another. The committees then targeted strategies to unite the community. "The entire area is now a zero tolerance zone," said HUD resident initiatives specialist Kellie Svoboda. "For whatever crime committed—whether it is speeding or jaywalking or prostitution—you will get the highest fine and you will go to jail."

One Strike and You're Out

One Strike is the most aggressive anti-drug and anti-crime policy that HUD has undertaken. Announced by President Clinton at the Public Housing Anti-Crime Summit in March 1996, this zero-tolerance initiative directly affects public housing admissions and eviction policies and carries a powerful message: If you use or deal drugs or engage in other criminal activity, you can not live here. When combined with local crime-prevention activities, One Strike can be a highly effective tool in turning public housing developments into safe communities.

Under One Strike, public housing authorities have the authority to screen housing applicants and even access criminal records through the National Criminal Information Center databases, which are managed by the U.S. Department of Justice. One Strike is not funded through HUD's Drug Elimination Grant program. Since the One Strike policy was introduced, evictions have increased.

Vice President Gore said, "The presence of officers in an area can plant the seeds of revitalization that can transform struggling communities into thriving neighborhoods, attracting new businesses and jobs as well as new residents."

— *The Los Angeles Times*
Sept. 4, 1998

I Community Policing Slashes Crime in New Hampshire Enterprise Community

In August 1995, Manchester, New Hampshire, expanded its community policing division with an EC funding commitment of \$731,000 over 5 years. Three officers and a police cruiser were assigned to a new substation. Training included 40 hours of classroom instruction on how to involve the community in fighting crime. Officers reviewed community issues ranging from youth gang activities to the needs of elderly residents.

By 1997, the initiative was registering strong results. Community police officers had become a regular part of neighborhood meetings and local events and volunteers helped with desk, telephone, and other customer service work at the substation. Crime had dropped by one-third in the EC in the 2 years since the program started. Drug activity, robbery, and burglary were all down by more than 50 percent, and weapons possession fell 40 percent. About 60 percent of residents in a survey reported that their quality of life had improved or held steady, and almost two-thirds said that they would feel "reasonably safe" or "very safe" being alone in their neighborhood at night.

Officer Next Door

HUD offers incentives to encourage police officers to live in urban neighborhoods, where they can help deter crime, respond faster to emergencies, and create an economic boost for local businesses. Under the initiative, unveiled by President Clinton in June 1997 as





part of an overall urban agenda, the Officer Next Door program enables police officers to buy single-family homes in designated areas for half of their appraised value. Qualifying officers also get a Federal Housing Administration (FHA)-insured mortgage that allows them to purchase the homes with a downpayment of as little as \$100. Participating police officers must agree to occupy their homes for at least 3 years. Since the program began in August 1997, a total of 2,000 purchase contracts have been accepted from officers—double the initial goal. As a result, officers in the program are already making an important contribution to crime prevention and community revitalization.

Block Watches and Alert Centers Deter Crime in Alabama and Arkansas

Birmingham, Alabama, is putting its “eyes” on the street through 171 new neighborhood block watches. Birmingham plans to create 300 block watches in a concerted community effort to enforce zero tolerance of crime. As part of the block-watch program, residents work closely with police and become actively involved in neighborhood crime prevention. Community police attend weekly block club meetings and get to know residents. The Birmingham Enterprise Community (EC) purchased 30 cellular phones for residents’ emergency communications while on patrol. Nearly 85 percent of neighborhood households participate in the block watches, and the results have been striking. Between 1996 and 1997, incidence of robbery in the EC area fell 22 percent, and burglaries fell 17 percent. Incidents involving narcotics dropped by 15 percent, while both vandalism and disturbance calls went down 14 percent.

Little Rock, Arkansas, has taken another approach to fighting crime. It has converted vacant buildings in targeted areas into 14 Local Neighborhood Alert Centers—one in each inner-city neighborhood. Each center is staffed by a housing counselor, two police officers, and a center manager. Crime in the targeted neighborhoods has been significantly reduced.

FOSTERING HEALTHY AND SUSTAINABLE COMMUNITIES

HUD sponsors a number of initiatives to protect communities from the dangers caused by environmental hazards and ensure that localities have quality healthcare facilities for their residents. While such activities typically do not attract the same level of attention as job development, public infrastructure, or housing and business creation, they are an essential component of successful community development.

Healthy Homes

Concerned by the growing problem of childhood injuries and illnesses resulting from health and safety risks in the home, Secretary Cuomo directed HUD staff to begin putting together a Healthy Homes campaign when he took office in 1997. Each year, residential fires, scald burns and fall-related injuries account for more than 2.5 million emergency room visits by children under age 14. Infestation, lead-based paint hazards, mildew, and other hazards contribute to a variety of childhood illnesses, including asthma, other respiratory diseases, and lead poisoning. Such illnesses disproportionately affect low-income children and minorities.

The goals of the initiative are to raise awareness of parents, children, educators, and the public about the serious threats of home hazards to young children and to ensure that communities have an effective local response by encouraging partnership among agencies, corporations, teachers, parent groups and health professionals. HUD has also



LOOKING AHEAD:

The FY 1999 HUD budget increases the budget for lead hazard reduction activities by \$10 million to \$70 million. Additionally, the budget includes for the first time \$10 million for HUD's Healthy Homes Initiative, which seeks to develop and implement a program of research and demonstration projects to address multiple housing-related problems that affect the health of children.

incorporated the concept of Healthy Homes into each of HUD's Notices of Funding Availability to encourage that housing built or supported with Federal funds addresses Healthy Homes issues. At press time, HUD had just released a "Healthy Homes" Campaign featuring two public service advertisements—one with home improvement expert, Bob Vila, and the other with comedian Tim Allen—as well as a brochure, which provides parents with 37 simple tips that can make their homes safer for their children.

Lead-Based Paint Hazard Reduction

Lead poisoning is the leading environmental hazard for children. Almost 1 million children under age 6 suffer from lead poisoning. Among low-income children living in older housing, about one in six, or 16 percent, is affected. HUD is working closely with the Centers for Disease Control and Prevention and the EPA to combat this menacing threat.

HUD made a strong push against lead hazards in 1997, and an independent report issued in 1998 by the National Center for Lead-Safe Housing and the University of Cincinnati Department of Environmental Health found that HUD's program is proving effective in protecting children. "The lead hazard-control activities appear to reduce dust lead levels to a point where they were no longer a significant contributor to the child's blood lead levels, a major achievement," the report noted.

Becoming Lead-Safe in Massachusetts

"When it comes to the housing market, there are really two worlds here," says Peggy Hegarty-Steck, describing Cambridge, Massachusetts. "Although the city is the home of Harvard and MIT, it is also the home of a large number of low- and moderate-income families living in older multifamily housing." Hegarty-Steck is program manager of Lead-Safe Cambridge (LSC), operated by the city's community development department. Funded largely by HUD grants, LSC helps low-income families live in lead-free housing through a range of technical and financial assistance programs and broad-based community education. In 1997 LSC assisted 77 families, including Joan and Roger Abrams and their two infant children.

"LSC walked us through the process and helped out at every stage," says Mrs. Abrams. They helped us find a contractor, provided us a place to stay while the work was done, and guided us through all the logistics of the renovation." LSC also financed the lead-removal process and provided the Abrams with information about other sources of lead and how to protect their children from them. The Abrams are now enrolled in LSC's Safer Soil Pilot Program to reduce lead hazards that might be present in their yard.

HUD provides grants of \$1 million to \$4 million to States and cities to remove lead-based paint in older homes and apartments. Since 1993 the program has awarded \$385 million to clean up more than 40,000 homes in 30 States. In FY1997 HUD awarded \$50 million to 25 States, cities, and counties, plus \$10 million in grants for additional research and technical assistance to promote the cost-effectiveness of new innovative methods of lead hazard detection and control.

In 1997, Tipper Gore, wife of Vice President Al Gore, joined with Secretary Andrew Cuomo and EPA Administrator Carol Browner in launching the Campaign for a Lead-Safe America. The campaign combines \$50 million in special aid to localities, a public education program, and a new agreement to develop a national enforcement strategy for lead-paint disclosure requirements. "If we can keep one million children from suffering from lead poisoning by the simple act of removing lead-based paint hazards and educating Americans everywhere, this Administration can continue our progress on behalf of our children's health," said Mrs. Gore.



Protecting Rhode Island's Children from Hazards

In November 1996, the Office of Public Housing in HUD's Rhode Island State Office initiated meetings regarding the issue of lead-based paint in tenant-based Section 8 housing. The health department and lead-based paint advocacy groups were concerned about the large number of lead-poisoned children under age 6 in Rhode Island. To address their concerns, a Memorandum of Understanding (MOU) was developed involving HUD, local housing authorities, and the health department. The MOU focuses the attention of Section 8 landlords on the issue of lead paint and heightens public awareness and inspection training for local housing authorities inspecting for lead-paint hazards.

Under the MOU, HUD agreed to stop paying Section 8 rental subsidies to landlords in Rhode Island for rental houses and apartment units where lead hazards have been found until action is taken to correct the hazardous conditions and until the landlord obtains a lead-safe certificate as required under State law. The agreement provides HUD a mechanism by which to offer special training to Rhode Island housing inspectors so that they can better identify lead hazards before children and families move into Section 8 housing.

Healthcare Facilities Financing

For almost 30 years, HUD has made it possible for millions of Americans to receive the healthcare treatment they need, particularly in underserved areas, by insuring private loans for hospitals, healthcare centers, and equipment. In 1997, the number of people served by 83 HUD-insured healthcare facilities was 6.7 million, including emergency treatment for 2.5 million people.

In 1997, HUD extended insurance to six new hospital loans, valued at \$268 million. The Department also approved five healthcare bond refinancings, totaling \$1.2 billion. Five healthcare construction projects were completed in 1997 with HUD assistance, including major upgrades to facilities in Chicago and New York. Since 1968 HUD has insured 300 hospital mortgages for \$8.6 billion dollars and generated more than \$250 million in net income for FHA through premiums and fees. As a result of improved portfolio monitoring and close work with insured hospitals, HUD has not had to pay a hospital insurance claim since 1994.

Michigan's Upper Peninsula Taps HUD for Healthcare Financing

Portage Health System is a community-owned and -operated healthcare provider that offers a range of services to more than 40,000 people in northern Michigan's rural Upper Peninsula. About half of the patients Portage serves receive support from Medicare; another 14 percent are low-income people on Medicaid.

In 1997, Portage sought financing to build a new state-of-the-art facility that would allow it to bring its services, now spread out in four buildings, into one location. "We wanted to take into account the changing patterns of healthcare delivery," says James Bogan, Portage's Chief Executive Officer. "That includes providing less acute care, more outpatient delivery of services, and an integrated delivery system." Portage's investment bankers told the company that HUD's mortgage insurance for healthcare facilities could help Portage obtain financing for the new center at the lowest interest rate available. With HUD's aid, Portage secured almost \$25 million.

The new facility, scheduled for completion by January 2000, will enable Portage to provide the full continuum of healthcare under one roof. The new building will include outpatient areas for doctors, surgical services, obstetrics, an emergency department, an educational conference center, a pharmacy, and a 30-bed acute care facility. "With HUD's help, we were able to pay less for funding than the cost in the marketplace. That frees up money to improve on the delivery of medical care here," says Bogan.